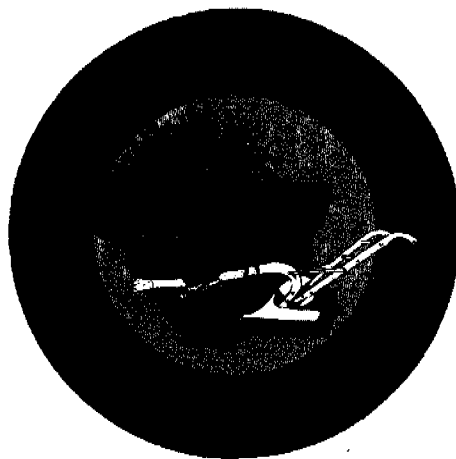


**COUNTY OF COLUSA,
CALIFORNIA**



**MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

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To the Board of Supervisors and the Grand Jury
County of Colusa
Colusa, California

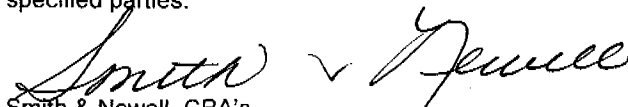
We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Colusa, Colusa, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Professional standards require that independent auditors communicate with the County about matters that are important to the County's oversight role. We previously reported on internal control and compliance in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and in our Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 dated July 17, 2009.

However, during our audit we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The following report summarizes all our comments and suggestions including immaterial noncompliance, control deficiencies that are not considered significant deficiencies or material weaknesses and other matters involving internal control.

We will review the status of these comments during our next audit engagement. We have already discussed these findings and recommendations with the County management, and we will be pleased to discuss them in further detail at your convenience.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and its regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



Smith & Newell, CPA's
Yuba County, California
July 17, 2009

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Colusa, California, for the year ended June 30, 2008, and have issued our report thereon dated July 17, 2009. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibilities Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management and Smith & Newell, CPAs with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Colusa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Colusa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Colusa's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on County of Colusa's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Colusa's compliance with those requirements.

2. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

3. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are depreciation of capital assets, estimated cost of infrastructure assets, and closure/post closure liability.

Management's estimate of depreciation is based on estimated or actual historical cost and the useful lives of such assets. Management's estimate of closure/post closure is based on estimated cost of closure and post closure and the remaining life of the one operating landfill and the remaining post closure period for the closed landfill. We evaluated the key factors and assumptions used to develop depreciation estimates and closure/post closure estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008**

3. Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the prior period adjustment to correct the closure/post closure liability in Note 2 to the financial statements. The adjustments resulted in the inclusion of the corrective action costs liability for the operating landfill and the reduction of the post closure liability for the expenses incurred in prior years.

4. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

5. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

6. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

7. Management Representations

We have requested certain representations from management that are included in the management representation letter.

8. Management Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

9. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the County and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-01 CLOSURE/POST CLOSURE (Financial Reporting: Material Weakness)

Condition

During our audit we noted the County had recorded adjustments to closure/post closure to correct prior year activity.

Cause

In the process of calculating the current year post closure liability for the Evans Road landfill, the County analyzed expenses from 2001 forward to determine expenses that were incurred for Evans Road post closure activities. This analysis resulted in a prior period adjustment decrease to the Evans Road landfill post closure liability of \$574,973. In addition, the County adjusted the Stonyford landfill closure/post closure liability to include the corrective action costs liability that had not been included in prior years. This resulted in a prior period adjustment increase in the Stonyford landfill closure/post closure liability of \$60,959.

Criteria

Each year the landfill operator is required to increase the closure and post closure liability by the inflation factor supplied by the State.

Effect of Condition

Closure/post closure liability in prior years were misstated and required adjustment.

Recommendation

We recommend that the County thoroughly review the calculation of the closure/post closure liability for both the closed and open landfills to ensure that the liability is correctly calculated and that the inflation factor has been applied to all landfills as required.

Corrective Action Plan

Effective in 2007-08, the annual inflation factor calculation worksheet has been completed for the Stonyford Landfill. In addition, the Stonyford closure/post-closure liability fund is adjusted for the corrective action costs.

The post-closure expenses were re-analyzed from 2001 forward and the proper required liability reductions were posted as of June 30, 2008. The Auditor's Office has requested that the County Public Works Department work with California Regional Water Quality Control Board to determine the correct application of the inflation factor for a closed landfill.

08-FS-02 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)

Condition

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

Cause

Prior to issuance of SAS 112, the County was able to rely on the external auditors to assist with recording certain financial transactions and with preparation of the financial statements and related notes without being subject to control deficiencies.

COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

08-FS-02 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)
(CONTINUED)

Criteria

In May 2006, a new auditing standard, Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

Effect of Condition

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation

The County may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.

Corrective Action Plan

The requirements of Statement on Auditing Standards No. 112 are taken very seriously by the County Auditor staff. New legislation, requirements and standards have increased substantially in the past several years. The increased oversight, independence, and reporting requirements have dramatically impacted the functions and work load within the County Auditor's Office. Consequently there is a recognized need for an additional, experienced accountant to assist with all of the new requirements and provisions. With the limited available resources, the Auditor's Office will do their best to maintain services to the County departments and the public, while attempting to comply with all new requirements placed on the accounting industry. The Auditor's Office will concentrate on specialized training for key positions in order to comply with Auditing Standards No. 112 as the budget allows.

08-FS-03 TIMELINESS OF FINANCIAL REPORTING (Financial Reporting: Significant Deficiency)

Condition

We noted that the accounting records of the County were not ready for audit in a timely manner.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-03 TIMELINESS OF FINANCIAL REPORTING (Financial Reporting: Significant Deficiency)
(CONTINUED)**

Cause

One cause may be that too many accounts require analysis and adjustment at year end. If accounts were analyzed and adjusted on a regular basis during the year the workload at year end may be less.

Criteria

Government Accounting Standards require that audited financial statements and the data collection form be submitted within nine months of the year end, or in the case of a June 30, year end, by March 31 of the subsequent year.

Effect of Condition

Unless the accounting records of the County are ready for audit in a timely manner, financial reporting deadlines cannot be met.

Recommendation

We recommend that procedures be reviewed to determine if delegation of account analysis and adjustment or other measures could improve the timeliness of the financial reporting process.

Corrective Action Plan

It is believed that work is delegated appropriately and that the existing Auditor staff is working effectively with the current resources provided. It is also believed the Auditor's Office would benefit with the addition of an experienced accountant, as the work load and governmental reporting requirements have increased substantially in the past several years. However, the audit will be given priority status and we will work diligently to complete the financial reporting and final review process on a timelier basis.

08-FS-04 ROAD INVENTORY

Condition

At the time of our fieldwork we noted that eight of the twenty-five items counted in the road inventory, equaling approximately 10% of the total cost tested, did not agree to the final inventory count as of June 30, 2008.

Cause

The physical count of road inventory is not reconciled to the perpetual inventory records.

Criteria

Good internal control over road inventory requires that the physical count be reconciled to the perpetual inventory records.

Effect of Condition

The risk of errors or irregularities occurring and not being detected in a timely manner is increased when the physical inventory count is not reconciled to the perpetual inventory records.

Recommendation

We recommend that the physical inventory be completed in an accurate manner and that all differences be resolved.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-04 ROAD INVENTORY (CONTINUED)

Corrective Action Plan

Previously the County Auditor-Controller has discussed the inventory differences with the Public Works Department. There has been a concentrated effort to improve the reconciliation of the physical inventory. The importance of accurate inventory reporting has been stressed with Public Works mechanics. The Time, Materials and Safety Assistant has been trained on the proper procedures for inventory maintenance and control. This individual works closely with the mechanics to ensure that the inventory is properly tracked. Training is on-going. With the procedures and training in place, reconciliation of the "parts" inventory should be more accurate in the future.

There may continue to be a small discrepancy in the "materials" inventory. The County is able to accurately record additions to the materials inventory as products are purchased. However, accurate recording of reductions to the materials inventory is much more difficult. For instance, the County does not have scales to determine the exact amount of patch material used on a given day. The County knows that a particular patch truck holds approximately "xxx" pounds of material, but it is not precisely weighed and measured out. (It is much easier to count the number of bolts or tires that are used for a repair job.) Further, as materials are used there is some settling of the product and it becomes un-useable and consequently it is pumped out. There may not be accurate measurement procedures for this process.

That being said, the Auditor and Public Works Department will continue to monitor and review the progress, to determine if there are additional inventory controls and procedures that can be established to ensure the security and accuracy of the Road Department inventory.

08-FS-05 PAYROLL WITHHOLDING

Condition

During our payroll test of five employees, we noted the County was withholding an incorrect amount for state income tax for one employee.

Cause

The County calculated the state income tax using the table for married persons rather than the table for single, dual income married or married with two or more employers table as marked by the employee on form DE-4.

Criteria

Payroll withholdings are to be based on the form W-4 or DE-4 completed by each employee.

Effect of Condition

The County withheld an incorrect amount of state income tax for one employee.

Recommendation

We recommend that the County review the withholdings entered in the payroll system to ensure that employee withholdings are correct in accordance with the form W-4 and DE-4 completed by each employee.

Corrective Action Plan

The County converted to a new payroll system effective January 1, 2009. As part of the conversion process every employee was asked to closely inspect their individual payroll records to verify the accuracy and inform the Payroll Division immediately if any discrepancy was discovered. This should ensure that future deductions are correct based on employee's written documentation.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-06 CAPITAL ASSETS

Condition

During our audit we noted that the County's schedule of land contained unidentified costs incurred prior to fiscal year 1989/90 of \$311,830 and an unidentified adjustment of \$47,544 in fiscal year 1994/95.

Cause

The County has not completed a review of all land owned by the County and its historical cost.

Criteria

Good internal control over capital assets requires that all capital assets be properly identified and recorded.

Effect of Condition

Errors in the capital assets listing can result in material misstatements of the financial statements.

Recommendation

We recommend that the County identify all properties owned, the date of purchase and cost of each item.

Corrective Action Plan

The County Auditor-Controller has developed a complete listing of all land owned by the County, which includes the Assessor parcel numbers. However, much of the land was purchased in the 1800's and in subsequent years. Detailed records regarding land purchases (date of purchase and cost of each item) were not maintained until the last twenty or thirty years. We will strive to develop a system to identify, date and value the land with the resources that we have available. We will work diligently to complete this project as time permits. This is a long-term project and will require assistance from the County Assessor and County Clerk-Recorder.

08-FS-07 RECONCILIATION OF TRUST FUND

Condition

At the time of our fieldwork, we noted that the cash balance of \$287,357 at June 30, 2008, in the Unapportioned Tax Installment fund was not reconciled to a detail list of open tax deposits.

Cause

The County does not have a policy of reconciling all trust funds.

Criteria

Good internal control over trust deposits requires that the balance be reconciled to a detail list of open tax deposits.

Effect of Condition

The risk of errors and irregularities occurring and not being detected in a timely manner is increased when the trust fund is not reconciled on a regular basis.

Recommendation

We recommend that the money held in the Unapportioned Tax Installments fund be reconciled to a detail list of open tax deposits.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-07 RECONCILIATION OF TRUST FUND (CONTINUED)

Corrective Action Plan

Previously all Tax Installments were apportioned monthly and there was no balance in the fund at year-end. The change to the new Megabyte property tax system has required new procedures, and installment payments are no longer apportioned monthly. Instead they are held in a fund until the delinquent tax bill is ultimately paid in full (generally five years). Then the funds are distributed appropriately. This process requires the Auditor's Office to reconcile all final payoffs and distributions on a monthly basis with the actual prior deposits into the Unapportioned Tax Installment Fund.

In the 2008-09 Fiscal Year the Treasurer's Office has started a new procedure to track and reconcile the Unapportioned Tax Installment Fund #07056. The detailed report provides the specific parcel number, the original delinquent tax due, the installment collections made to date, and the current outstanding tax amount. The total of that report equals the cash balance of the Unapportioned Tax Installment Fund #07056. A file folder is also maintained for each installment plan that contains copies of the delinquent tax statement, copies of the deposit receipts, and other related data.

In the 2008-09 Fiscal Year two new Funds were created entitled "4 Pay Plan Installments" (#07057) and "Unapportioned Prior Year Unsecured Tax" (Fund #07058). In addition, Fund #07056 was renamed to "Unapportioned Secured Tax Installment Fund". The creation of these new funds and the renaming of the old fund will make balancing and reconciling the Trust balances much easier. The various detailed reports will balance directly to the General Ledger Cash balance at any time.

Further, effective June 30, 2009, the Auditor's Office has instructed all County Departments responsible for Trust Funds to provide a reconciliation of the year-end cash balances. The Auditor's Office will assist Departments with this new requirement to ensure accurate balances and reporting. Once procedures have been established it is expected that Departments will be capable of providing future reconciliations.

08-FS-08 SOLID WASTE

Condition

As of June 30, 2008, the Solid Waste enterprise fund had deficit net assets of \$2,403,027 after adjusting the closure/post-closure liability.

Cause

The County Solid Waste enterprise fund has not adequately funded the closure/post-closure liability.

Criteria

The County is required by State and Federal laws and regulations to adequately fund the closure/post-closure liability.

Effect of Condition

The Solid Waste enterprise fund has an unfunded closure/post-closure liability.

Recommendation

We recommend that the County review the funding provisions for this liability and determine what action is necessary to adequately fund the closure/post-closure liability and whether a pledge of revenue has been adopted to fund the post-closure liability for both landfill sites.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-08 SOLID WASTE (CONTINUED)

Corrective Action Plan

Separate closure/post-closure funds were established in 1989; Stonyford Landfill (Fund #04003) and Evans Landfill (Fund #04004). These two funds are adequately funded on an annual basis. The Board of Supervisors is kept apprised of the large deficit fund balance in the Solid Waste Enterprise Fund (#04000), and has taken action to increase revenues and reduce the deficit. They acknowledge the need to reduce the deficit as it would ultimately be a liability of the General Fund. However, they realize the deficit reduction will take a number of years. If the fees are increased at too fast a rate, the current users would find a less expensive option for their landfill needs. For the last several years estimated revenues have been budgeted in excess of appropriations, thereby whittling away at the deficit cash balance. The Board is also analyzing possible rate increases.

08-FS-09 AGENCY FUND DEFICITS

Condition

As of June 30, 2008, we noted that there were several funds including agency funds with deficit cash balances and we noted that there was no formal written policy addressing approved procedures.

Cause

The County allows Agency funds to have deficit cash balances without an approved policy.

Criteria

Generally accepted accounting principles require the County to have a policy which addresses how deficit cash balances are to be handled and if and when they are to be allowed.

Effect of Condition

The County has several funds including agency funds with significant deficit cash balances for which we could find no specific County authorization policy.

Recommendation

We recommend that the County adopt and/or review an appropriate policy for authorizing and controlling deficit cash balances.

Corrective Action Plan

Currently it is the County's informal policy to monitor deficit fund balances on a monthly basis. The County's computerized treasury system automatically calculates interest on a daily basis for all treasury funds with positive cash balances and a corresponding interest "expense" (or negative interest) on all treasury funds with a negative cash balance. If selected, the County's Fund Accounting System has controls that do not allow payment of invoices that will put a fund in the red. When funds are initially established, a decision is made whether to allow a fund to go in the red or not, based on the timing of funding and revenue potential. However, the County is in the process of formalizing a written policy authorizing and controlling deficit cash balances. In the meantime the County Auditor is working with entities that have on-going negative cash balances to assist them with financial planning and stability. We recognize some funds will take a number of years to eliminate their deficit balances.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-10 SHERIFF INMATE AND CIVIL CASH ACCOUNTABILITY AND RECONCILIATION

Condition

At the time of our fieldwork, we noted that the Sheriff inmate and civil outside trust bank accounts were not reconciled to a detail list of monies held for inmates or open civil cases.

Cause

The Sheriff inmate and civil bank accounts are not being reconciled to a detail list of accountability.

Criteria

Good internal control over cash requires that all bank accounts be accurately reconciled to a detail list of monies held for inmates or open civil cases.

Effect of Condition

There was approximately \$4,418 of cash held in the Sheriff's inmate bank account in excess of the detail individual records. Also there was no accountability available for approximately \$9,928 held in the Sheriff's civil bank account.

Recommendation

We recommend that all bank accounts be reconciled to a detail list of monies held for inmates or open civil cases.

Corrective Action Plan

The Auditor has spoken with Sheriff financial staff about the importance of balancing the various bank accounts with detailed records of accountability. The Sheriff's staff is currently analyzing the bank balances. If it is determined that the un-reconciled funds are old, and the Sheriff is unable to locate or account for the original depositor, those funds will be moved out of the bank accounts and deposited to the County Treasury. When the analysis is complete the checking account will be in balance with the detailed individual records.

The Civil Division has recently purchased a new system to record payments and is currently training with the program. This will ensure that future deposits are accurately tracked and detailed for accountability. The Auditor's Office will work with the Sheriff's staff to ensure that same detailed records are maintained for the Inmate Funds.

Although the two funds in question are outside bank accounts maintained by the Sheriff's Department, from now on all deposits in and payments out will be recorded with the Auditor's Office in the financial system on a monthly basis. The journal entries will include name, (or case number) date, receipt or check number. The outside bank account will be balanced monthly with the Auditor's Office.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
CURRENT YEAR COMMENTS - SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2008**

08-SA-01

Name:	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)
CFDA #:	93.558
Federal Grantor:	U.S. Department of Health and Human Services
Pass Through Entity:	California Department of Social Services
Award No.:	N/A
Year:	June 30, 2008

Condition

Out of twenty-five cases tested, we noted in two files the IEVS statement was dated more than two years prior and in two files there was no signed IEVS statement.

Perspective

We noted that 4 out of 25 cases tested did not contain the appropriate IEVS statement.

Criteria

As required by Section 1137 of the Social Security Act, benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility, level of assistance, benefits or services.

Effect of Condition

Clients may receive benefits to which they are not entitled.

Questioned Costs

No costs are questioned.

Recommendation

We recommend that the County determine the reason for the deficiencies noted above and implement proper procedures to strengthen internal controls.

Corrective Action Plan

The County Auditor has discussed the deficiencies with the appropriate Health and Human Services management staff. The three eligibility staff members who now process cash aid cases have received reminder instructions on running Income Eligibility and Verification System (IEVS) at all cash aid intakes. The developed procedures ensure benefit information from the IEVS is used when required for making eligibility determinations.

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
STATUS OF PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Finding</u>
07-01	<p>STATEMENT ON AUDITING STANDARDS NO. 112</p> <p>Recommendation</p> <p>We recommend that the County take all steps necessary to ensure that staff is in compliance with Statement on Auditing Standards No. 112 requirements.</p> <p>Status</p> <p>Not Implemented</p>
07-02	<p>ROAD INVENTORY</p> <p>Recommendation</p> <p>We recommend that the physical inventory be completed accurately and all differences resolved.</p> <p>Status</p> <p>Implemented</p>
07-03	<p>SHERIFF INMATE AND CIVIL CASH ACCOUNTABILITY AND RECONCILIATION</p> <p>Recommendation</p> <p>We recommend that all bank accounts be accurately recorded on the County's general ledger and that bank reconciliations be accurately prepared in a timely manner.</p> <p>Status</p> <p>Partially Implemented</p>
07-04	<p>BLOCK GRANT LOAN RECEIVABLE</p> <p>Recommendation</p> <p>We recommend that permanent records be maintained for all loan agreements.</p> <p>Status</p> <p>Implemented</p>
07-05	<p>RECONCILIATION OF CASH BALANCE</p> <p>Recommendation</p> <p>We recommend that the money held in the Unapportioned Tax Installments fund be reconciled to a detail list of open tax deposits.</p> <p>Status</p> <p>Not Implemented</p>

**COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
STATUS OF PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Finding</u>
07-06	<p>SOLID WASTE</p> <p>Recommendation</p> <p>We recommend that the County review the funding provisions for this liability and determine what action is necessary to adequately fund the closure liability and whether a pledge of revenue has been adopted to fund the post-closure liability for both landfill sites.</p> <p>Status</p> <p>Not Implemented</p>
07-07	<p>CLOSURE/POST-CLOSURE</p> <p>Recommendation</p> <p>We recommend that the County complete the annual inflation factor calculation worksheet for each landfill, adjust the closure/post-closure liability to include the corrective action costs and reduce the liability by current year expenses incurred.</p> <p>Status</p> <p>Partially Implemented</p>
07-08	<p>AGENCY FUND DEFICITS</p> <p>Recommendation</p> <p>We recommend that the County adopt and/or review an appropriate policy for authorizing and controlling deficit cash balances.</p> <p>Status</p> <p>Not Implemented</p>
07-09	<p>IMPREST CASH</p> <p>Recommendation</p> <p>We recommend that the Department reconcile imprest cash accounts to the authorized amount on a monthly basis.</p> <p>Status</p> <p>Implemented</p>
07-10	<p>RESERVES AND DESIGNATIONS OF FUND EQUITY</p> <p>Recommendation</p> <p>We recommend that the County analyze all classifications of fund equity and ensure that they are properly named as a reserve or designation. We also recommend that the County analyze all accounts within the equity section of each fund and verify that each account is correct and necessary.</p> <p>Status</p> <p>Implemented</p>

COUNTY OF COLUSA, CALIFORNIA
MANAGEMENT REPORT
STATUS OF PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Audit Reference</u>	<u>Status of Prior Year Audit Finding</u>
07-11	<p>TIMELINESS OF FINANCIAL REPORTING</p> <p>Recommendation</p> <p>We recommend that procedures be reviewed to determine if delegation of account analysis and adjustment or other measures could improve the timeliness of the financial reporting process.</p> <p>Status</p> <p>Not Implemented</p>
07-12	<p>CAPITAL ASSETS</p> <p>Recommendation</p> <p>We recommend that the County identify all properties owned, the date of purchase and cost of each item.</p> <p>Status</p> <p>Not Implemented</p>

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